

INFORMATION REPORT

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1. Export matters in the Russian Zone are handled through a VMA Export Plan (Verwaltung für den Aussenhandel -- Administration of Foreign Trade), set up by quarters. This is formulated in Berlin and thence passed to the Lands as a quota plan, for distribution among the branches of industry. The Land government of Saxony, for example, has a company, fifty-one per cent state controlled and directed, for supervising and managing its export industry, the so-called Export G.m.b.H., which in turn controls five holding companies, formerly SMA trustees for foreign trade.

2. The holding companies request bids for export trade from manufacturing firms and submit them to the Land government. This, in conjunction with the Division of Foreign Trade of the Land SMA, selects the most advantageous bids and notifies the holding companies which firms are included and what their specific assignments are. The holding companies pass the information on to the producing firms, which are then allotted raw materials from the Land government distribution office in accordance with the orders they received.

3. When the goods are completed, the manufacturing firms notify the holding companies (mostly through regular quarterly reports), which collect the goods for stockpiles. In many cases, orders cannot be completely fulfilled because of shortages of materials of all sorts. It is the task of the holding companies to seek foreign customers for the goods and also to offer them to the two Russian firms Rasno-Export and Export-Len. In practice, the goods are collected quarterly and offered simultaneously to the two Russian firms and to foreign buyers. Since under such a system only the two Russian firms are on the spot, they can pick out the best goods, and the remainder, which is often difficult to dispose of, is left to the German holding companies.

The Russians have set export quotas very high, so that they cannot always be fulfilled by the firms working for export

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and must be supplemented by production from firms working for internal distribution. Since much of this production was not suitable for export, it could be added to stockpiles. The result of this, however, was that the VFA plan fell from forty million to twenty million RM in the first quarter of 1948. SMA, apparently realizing that it was unprofitable to manufacture non-exportable goods, reduced the extent of its stockpiling and released more raw materials.

5. If through personal connections or efforts a German firm succeeds in concluding a contract with a foreign customer, it must inform the Land government in order to obtain the necessary raw materials. In such cases, the Land government takes the material from a firm already included in the export quota plan and redistributes it to the contracting firm. A bonus of 7.5 percent goes to the exporter, although its exact distribution among producer, holding company, Export GmbH, etc., is unknown. The individual contractor does not have to clear his sale through a holding company, but he must clear it through Export GmbH in order to obtain approval for release of the goods from the country.
6. The representative of the Export Division of the Textile Industry in SMA Karlsruhe, Mrs. Bitinina, sets exchange quotas so high that the price of goods is far above the world market. Her intransigent attitude on textile questions has gained her the opposition of some of the Saxony SMA leaders, but they are unable to take any action against her because she is believed to enjoy strong support from Moscow. In consequence, the export director of SMA Saxony rarely deals with her and sends Germans to her only if necessary.
7. The holding company Fiting and Company made \$1,250,000 contracts at the spring fair of 1948. In contrast to previous years, these agreements were based on possibilities of fulfillment and therefore to a great extent will probably be completed.
8. Deliveries of Russian cottons have not arrived as promised. Source attributes this at least partly to the fact that the previous deliveries were not completely paid for and that Russia is unwilling to make further deliveries without collecting outstanding accounts. Russian cotton, which is used almost exclusively for reparations productions, was to be paid for with exports of German manufactured goods.
9. The largest export item in the textile field is currently textile machine needles, which are in great demand in all European countries.

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